



MEMORANDUM

TO: Mayor and Council Members 

FROM: Rosie Truelove, Director, Neighborhood Housing and Community Development Department

DATE: December 19, 2019

SUBJECT: Response to Resolution No. 20170928-050 regarding Neighborhood Empowerment Zones

The purpose of this memorandum is to provide staff's recommendations in response to [Resolution No. 20170928-050](#) regarding the development of a multi-family property tax exemption program, or Neighborhood Empowerment Zone (NEZ), available for multi-family and manufactured home park property owners who agree to set aside a portion of their units for families who meet certain eligibility criteria.

The desired outcome of an NEZ program is mitigation of the impact of the loss to the city's affordable housing supply by providing property owners with an avenue to decrease their property tax liabilities while at the same time providing income-restricted affordable housing.

Staff have identified alternate mechanisms to meet Council's policy objective to preserve 10,000 affordable housing units over the next 10 years, as articulated in the [Austin Strategic Housing Blueprint](#). NHCD administers the Rental Housing Development Assistance (RHDA) program, which provides gap financing to private for-profit and nonprofit developers for the creation or preservation of income-restricted affordable housing. Property owners who are interested in rehabilitating existing multifamily housing and keeping a majority of the units affordable for 40 years are also eligible to apply for RHDA funding. In addition, Austin Housing Finance Corporation (AHFC) currently is either a General Partner or Managing Member in seven partnerships (through subsidiary nonprofit corporations), one of which was formed with Cesar Chavez Foundation, a national nonprofit corporation with affordable housing as one of its primary missions. This partnership acquired, rehabilitated, and preserves a 104-unit multifamily complex known as Timbers Apartments. AHFC issued the Private Activity Bonds and holds title to the land, providing 100% property tax exemption.

In anticipation of additional partnerships, coupled with the need for ongoing stewardship of existing partnerships, NHCD has recently hired a full-time Neighborhood Development Manager. The new Neighborhood Development Manager will oversee AHFC's existing seven partnerships and identify additional opportunities for the City to partner with affordable housing developers and providers, thereby minimizing property tax burden in proportion to the resulting long-term affordability. The Neighborhood Development Manager will also explore opportunities to better

align potential partnerships with the City's overall [Displacement Mitigation Strategy](#) and other coordinated efforts among departments.

When evaluating other NEZ programs in Texas, staff found that Ft. Worth's program required a dedicated full-time employee. In addition, a NEZ program would need to be developed in accordance with Local Government Code Chapter 378 and Tax Code Section 312, necessitating additional staff resources to implement the program. This includes but is not limited to establishing guidelines and criteria governing tax abatement agreements, legal review and monitoring of municipal tax abatement agreements, and compliance reporting with the State Comptroller Office.

While an NEZ could still be undertaken, program development, administration and monitoring would diminish the resulting number of affordable units achieved through the program. Additionally, there would be less flexibility to coordinate and realize synergies with other initiatives due to the legal requirements of the legislation under which the program would need to be developed.

Should you have any questions, please do not hesitate to contact me at 512-974-3064.

cc: Spencer Cronk, City Manager
J. Rodney Gonzales, Assistant City Manager